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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/621,443	07/18/2003	Lynn Tilton	214793.00011	1017

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PATENT ADMINISTRATOR  
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EXAMINER
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COLBERT, ELLA

ART UNIT	PAPER NUMBER
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3694

MAIL DATE	DELIVERY MODE
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01/08/2008

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

**Office Action Summary****Application No.**

10/621,443

**Applicant(s)**

TILTON, LYNN

**Examiner**

Ella Colbert

**Art Unit**

3694

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 18 July 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☒ Information Disclosure Statement(s) (PTO/SB/08)  
Paper No(s)/Mail Date 7/18/03.
- 4) ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date. \_\_\_\_\_
- 5) ☐ Notice of Informal Patent Application
- 6) ☐ Other: \_\_\_\_\_

### DETAILED ACTION

1. Claims 1-40 were pending. Claims 2-40 were cancelled and claim 1 is the only claim pending in the Preliminary Amendment filed 7/18/03.
2. The IDS file 7/18/03 has been considered and entered. Applicant is respectfully requested to submit the Foreign reference and the Non-Patent references for consideration.

### ***Claim Rejections - 35 USC § 101***

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claim 1 is rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. Claim 1 drawn to a method performing securitization. It is unclear how the objective of securitization by the Applicant is achieved in the claim language because the first claim limitation in claim 1 recites "... selecting a portfolio of loans of one or more institutions, each loan having a corresponding borrower and involving at least one obligation of the corresponding borrower to make a payment to the lending institution, wherein the portfolio of loans includes at least 30% distressed commercial loans and wherein the loans are selected so that the portfolio meets predetermined criteria of one or more selected credit rating agencies". Selecting a portfolio of loans of one or more institutions is not the same as performing securitization. Infact, "securitization" or even its equivalent is not mentioned in the body of claim 1. As such the claimed invention is directed to a judicial exception

to 35 U.S.C. §101 (i.e. an abstract idea, natural phenomenon, or law of nature) and is not directed to a practical application of such judicial exception because the claims do not require any physical transformation and the invention as claimed does not produce a useful, concrete, and tangible result.

Useful- must be specific, substantial and credible and specifically recited in the claim. If the claim is broad enough to not require a practical application, it must be rejected.

Tangible- must be some "real-world" result, not abstract.

Concrete - must have a result that can be substantially repeatable or the process must substantially produce the same result again. Claim1 does not produce tangible results, but merely determinations. These determinations might remain entirely inside the mind of the person doing the determining. These results are not tangible, thus not eligible subject matter, thus are rejected.

The Court of Appeals for the Federal Circuit issued opinions in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F. 3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) and *AT & T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ2d 1447 (Fed. Cir. 1999). These decisions explained that, to be eligible for patent protection, the claimed invention as a whole must accomplish a practical application. That is, it must produce a "useful, concrete and tangible result." *State Street*, 149 F.3d at 1373-74, 47 USPQ2d at 1601 o2. To satisfy section 101 requirements, the claim must be for a practical application of the 101 judicial exception, which can be identified in various ways: (a) The claimed invention "transforms" an article or physical object to a different state or thing. (b) The claimed invention otherwise produces a useful, concrete and tangible result, based on the factors discussed below.

The USPTO's official interpretation of the utility requirement provides that the utility of an invention has to be (i) specific, (ii) substantial and (iii) credible. See MPEP § 2107. It is not clear as to what is the utility of predetermined criteria of one or more selected credit rating agencies because there is no assurance that this will result in the performance of the securitization method.

The tangible requirement does require that the claim must recite more than a § 101 judicial exception, in that the process claim must set forth a practical application of that § 101 judicial exception to produce a real-world result. Benson, 409 U.S. at 71-72, 175 USPQ at 676-77 (invention ineligible because had “no substantial practical application”). It is not clear as to what tangible result is produced by implementing the steps of the claim especially since there is no guarantee that implementing the steps of the claims will result in the performance of securitization.

For an invention to produce a “concrete” result, the process must have a result that can be substantially repeatable or the process must substantially produce the same result again. In re Swartz, 232 F.3d 862, 864, 56 USPQ2d 1703, 1704 (Fed. Cir. 2000) (where asserted result produced by the claimed invention is “irreproducible” the claim should be rejected under section 101). The opposite of “concrete” is unrepeatable or unpredictable.

There is no useful, concrete and tangible result produced from implementing the steps of the claimed invention. The dependent claims are rejected for the same reason and by way of dependency on a rejected independent claim.

Also a claim must have some type of device or machine to perform the steps of the method. Otherwise the method steps can be performed with a pencil and paper or in the mind of a human being which results in an abstract idea.

#### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claim 1 rejected under 35 U.S.C. 103(a) as being unpatentable over (US 6,249,775) Freeman et al, hereafter Freeman in view of (US 20030105788) Lee and further in view of Traub et al, hereafter Traub (US 6,058,377).

Claim 1. A securitization method, comprising the steps of:

Freeman discloses, (a) selecting a portfolio of loans of one or more institutions, each loan having a corresponding borrower and involving at least one obligation of the corresponding borrower to make a payment to the lending institution, wherein the portfolio of loans includes at least 30% distressed commercial loans and wherein the loans are selected so that the portfolio meets predetermined criteria of one or more selected credit rating agencies (col. 3, lines 10-42 and line 52-col. 4, line 2) and (b) establishing a bankruptcy remote special purpose entity ("SPE") as an investment vehicle (col. 5, lines 13-67 and col. 6, lines 33-57).

Freeman failed to disclose, (c) designing a capital structure for the SPE configured so that all of the securities above the equity or equity-like tranches issued by the SPE upon closing of the transaction are eligible to receive investment grade credit ratings from said one or more selected credit rating agencies. Lee discloses, (c) designing a capital structure for the SPE configured so that all of the securities above the equity or equity-like tranches issued by the SPE upon closing of the transaction are eligible to receive investment grade credit ratings from said one or more selected credit rating agencies (col. 1, page 3 [0038]-col. 2 [0041] and page 4, col. 2 [0054] –page 5, col. 1, line 2).

Freeman and Lee failed to disclose, (d) arranging for the conveyance of the portfolio that includes the distressed commercial loans to the SPE so that a synthetic asset pool including the distressed commercial loans is created in the SPE backing its securities, the synthetic asset pool emulating the cash flow and recovery characteristics of a portfolio of performing credit facilities. Traub discloses, (d) arranging for the conveyance of the portfolio that includes the distressed commercial loans to the SPE so that a synthetic asset pool including the distressed commercial loans is created in the SPE backing its securities, the synthetic asset pool emulating the cash flow and recovery characteristics of a portfolio of performing credit facilities (col. 4, line 16-col. 5, line 48 and col. 8, lines 31-34). It would have been obvious to one having ordinary skill in the art at the time the invention was made to incorporate the teachings of Lee and Traub in Freeman because such an incorporation would allow Freeman to have a pool or portfolio of mortgage loans secured by commercial assets.

### ***Conclusion***

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Starkman US 7,277,869; Starkman US 7,188,084; Starkman US 7,003,491;  
Keyes et al US 2003/0033229 A1; Kehrli et al US 2003/0110045.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Ella Colbert whose telephone number is 571-272-6741.

Application/Control Number:  
10/621,443  
Art Unit: 3694


Page 7

The examiner can normally be reached on Monday, Wednesday, and Thursday,  
5:30AM-3:00PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Trammell can be reached on 571-272-6712. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

January 7, 2008

  
ZELLA COLBERT  
PRIMARY EXAMINER